

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Genesee County 9-1-1 Consortium Comm.	County Genesee
Audit Date 9/30/05	Opinion Date 10/28/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

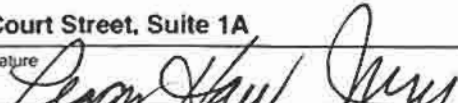
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Plante & Moran, PLLC			
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Accountant Signature 		ZIP 48502	Date 12/12/05

Financial Statements

**Genesee County 9-1-1 Consortium Commission
Genesee County, Michigan**

September 30, 2005

with Independent Auditors' Report

**Genesee County 9-1-1 Consortium Commission
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2005**

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Introductory Section

**Genesee County 9-1-1 Consortium Commission
List of Appointed Officials**

Board of Directors

Kurt Soper, Davison Township.....	Chairman
Randy Byrne, City of Grand Blanc	Vice Chair
Bob Neumann, Mundy Township	Treasurer
Robert Cole, Argentine Township	Member
Paul Fortino, Gaines Township.....	Member
Eldon Dunklee, City of Montrose	Member
Jakki Sidge, Village of Goodrich	Member
Scott Streeter, Genesee Township	Member
Valerie Pace, Forest Township	Member
Robert Pickell, Genesee County Sheriff	Member
Rick Arnold, State Police Designee	Member
Fred Shaltz, Genesee County Board of Commissioners	Member
Rose Bogardus, Genesee County Board of Commissioners	Member

General Membership

Robert Cole	Argentine Township
Teresa Onika	Atlas Township
Rod Shumaker	Clayton Township
Kurt Soper	Davison Township
Bonnie Mathis	Fenton Township
Doug Carlton	Flint Township
Andrew Trotoget	Flushing Township
Valerie Pace	Forest Township
Paul Fortino	Gaines Township
Scott Streeter	Genesee Township
Jeff Zittel	Grand Blanc Township
Mark Emmendorfer	Montrose Township
Larry Foster	Mt. Morris Township
Bob Neuman	Mundy Township
Jim Jacques	Richfield Township
Luther M. Hatchett	Thetford Township
Anthony McKerchie	Vienna Township
Gary Isham	City of Burton
William Korl	City of Clio
Pete Auger	City of Davison
Dennis Bow	City of Flushing
Randy Byrne	City of Grand Blanc
Dale Martin	City of Linden
Eldon Dunklee	City of Montrose
Reid Charles	City of Mt. Morris
Paul Bueche	City of Swartz Creek
Russell Morse	Village of Gaines
Jakki Sidge	Village of Goodrich
Arden Hudson	Village of Otisville
Fred Shaltz	Genesee County

**Genesee County 9-1-1 Consortium Commission
List of Appointed Officials - (continued)**

Advisory Board

Fred Thorsby, Mt. Morris	Chairman
Roger Bobb, Genesee Township	Vice Chair
William Miller, Gaines Township	Member
Richard Cupit, Mundy Township	Member
John Moulton, Fenton Township	Member
Jim Vogt, City of Mt. Morris	Member
Boyd Skellenger, Richfield Township	Member
Doug Kennedy, City of Flushing	Member
Bill Brandon, City of Davison	Member
Kurt Soper, Davison Township	Member
Lloyd R. Fayling, 9-1-1 Consortium	Member
Bruce Trevithick, Genesee County Medical Control	Member
Jim Iacovacci, Flint Township	Member

Advisory Board (Alternates)

Ron Herzberg	City of Flushing
Mark Udell	City of Burton

Financial Section

Independent Auditors' Report

Genesee County 9-1-1 Consortium Commission Board
Genesee County 9-1-1 Consortium Commission
Genesee County, Michigan

We have audited the financial statements of the governmental activities and the fiduciary fund information of the Genesee County 9-1-1 Consortium Commission (Consortium) as of September 30, 2005 and for the year then ended, which collectively comprise the Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of the Genesee County 9-1-1 Consortium Commission at September 30, 2005, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 6 and the information in the required supplementary information on pages 22 and 23 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran PLLC

October 28, 2005

Genesee County 9-1-1 Consortium Commission Management's Discussion and Analysis

This section of the Genesee County 9-1-1 Consortium Commission's annual financial report presents our discussion and analysis of the Consortium's financial performance during the fiscal year that ended on September 30, 2005. Please read it in conjunction with the Consortium's financial statements, which follow this section.

Financial Highlights

- The Consortium's Total Net Assets are \$18,690,536
- During the year, the Consortium's expenses of \$3,634,066 were \$946,589 less than the \$4,580,655 generated in telephone service fees and other revenues for governmental programs.
- The Consortium's unrestricted net assets were \$8,535,758 in fiscal year 2005. \$14,190 is restricted for wireless education expenses and \$348,343 is restricted for capital improvements.
- The Consortium's net assets invested in capital assets are \$9,792,245.
- The Consortium's available cash and investments to be used to pay for future operations were \$7,731,513.
- The Consortium's investment in the Capital Project fund was \$333,273.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Basic Financial Statements

The basic financial statements provide detailed information about the Consortium's two funds and the Consortium as a whole. Funds are accounting devices that the Consortium uses to keep track of specific sources of funding and spending for particular purposes.

- The General Fund is required by State law.
- The Consortium establishes other funds to control and manage money for particular purposes (like the Capital Improvement Fund).

The Consortium has two kinds of funds:

- Governmental funds – Most of the Consortium's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Consortium's programs.

- **Fiduciary fund** – The Consortium is responsible for ensuring that the assets reported in this fund are used for its intended purposes. All of the Consortium's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We excluded this activity from the Consortium's net assets because the Consortium cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-21 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Consortium. This required information regarding the Consortium's budget to actual comparison for the general fund can be found on pages 22 and 23.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Consortium, assets exceeded liabilities by \$18.6 million at the close of the most recent fiscal year (see below table).

Summary Condensed Statement of Net Assets

	Governmental Activities	
	2005	2004
Current assets	\$ 9,018,793	\$13,845,251
Noncurrent assets:		
Capital assets	9,792,245	3,768,690
Total assets	<u>\$18,811,038</u>	<u>\$17,613,941</u>
Liabilities	\$ 120,502	\$ 96,483
Net assets:		
Invested in capital assets	9,792,245	3,768,690
Restricted	362,533	353,806
Unrestricted	<u>8,535,758</u>	<u>13,394,962</u>
Total net assets	<u>\$18,811,038</u>	<u>\$17,613,941</u>

By far the largest portion of the Consortium's assets reflect its investment in capital assets (office and communication equipment). The Consortium uses these assets to provide its services; consequently these assets are not available for future spending. An additional net asset (2%) represents resources that are subject to external restrictions on how they may be spent. The remaining balance of unrestricted net assets, \$8.5 million (45% of net assets) may be used to meet the Consortium's ongoing obligations.

Per State of Michigan requirements non-wireless and wireless revenue and expenses are separately shown on the Statement of Activities. Any unspent wireless service fees and unspent wireless education income at September 30, 2005 have been shown as a fund balance reservation in the General Fund. At September 30, 2005, there were no unspent wireless funds and \$14,190 of unspent wireless education funds.

Financial Analysis of the Consortium's Funds

As noted earlier, the Consortium uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Consortium's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Consortium's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Consortium.

Consortium's Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Revenue:		
Program revenue:		
Charges for services	\$ 4,564,784	\$ 4,656,599
Operating grants and contributions	15,871	16,713
General revenue:		
Interest	226,489	179,267
Total revenue	<u>4,807,144</u>	<u>4,852,579</u>
Program expenses:		
Non-wireless	3,287,449	3,023,474
Wireless	346,617	324,544
Total program expenses	<u>3,634,066</u>	<u>3,348,018</u>
Changes in net assets	1,173,078	1,504,561
Net assets – beginning of year	<u>17,517,458</u>	<u>16,012,897</u>
Net assets – end of year	<u>\$18,690,536</u>	<u>\$17,517,458</u>

Consortium Commitments

The Consortium's contract with Motorola for the 800 MHZ trunked digital simulcast radio system is under construction. Of the contract of \$9,872,849, the Consortium has paid \$8,391,922 at year-end. The Alcatel contract of \$1,023,889 has been paid in full. The RCC Consultant contract for \$174,080 has \$44,375 paid on it to date at September 30, 2005. The Consortium has 20 year land leases which are paid at various rates.

General Fund Budgetary Highlights

The Consortium once again produced a timely budget for 2004 - 05 and amended it in September 2005. The budget for 2006 was timely adopted.

Capital Assets

At the end of 2005, the Consortium had invested \$9,792,245 in office and communication equipment with no off-setting debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the GASB Statement 34.

Contacting the Consortium's Financial Administration

This financial report is designed to provide our customers and investors and creditors with a general overview of the Consortium's finances and to demonstrate the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Genesee County 9-1-1 Consortium Commission's Director, Lloyd Fayling at G-4481 Corunna Road, Flint, Michigan 48532.

Basic Financial Statements

Genesee County 9-1-1 Consortium Commission
Statement of Net Assets and
Governmental Funds Balance Sheet
September 30, 2005

	Governmental Fund Types		Total Governmental Funds
	General	Capital Project	
Assets			
Cash and cash equivalents	\$ 2,714,953	\$ -	\$ 2,714,953
Investments	5,016,560	333,273	5,349,833
Interest receivable	98,790	15,070	113,860
Due from other governments	608,223	-	608,223
Prepaid expenses	231,924	-	231,924
Capital assets, net	-	-	-
Total assets	\$ 8,670,450	\$ 348,343	\$ 9,018,793
Liabilities			
Accounts payable	\$ 7,613	\$ -	\$ 7,613
Accrued liabilities	112,889	-	112,889
Total liabilities	120,502	-	120,502
Fund balance/Net assets			
Fund balance:			
Reserved for prepaid expenses	231,924	-	231,924
Reserved for wireless education expenses	14,190	-	14,190
Reserved for capital outlay	-	348,343	348,343
Unreserved:			
Designated for future year expenditures	570,854	-	570,854
Undesignated	7,732,980	-	7,732,980
Total fund balance	8,549,948	348,343	8,898,291
Total liabilities, and fund balance	\$ 8,670,450	\$ 348,343	\$ 9,018,793
Net assets:			
Invested in capital assets			
Restricted for wireless			
Restricted for capital improvements			
Unrestricted			
Total net assets			

See notes to financial statements.

Adjustments (Note II A)	Statement of Net Assets
----------------------------	----------------------------

\$ -	\$ 2,714,953
-	5,349,833
-	113,860
-	608,223
-	231,924
9,792,245	9,792,245

9,792,245	18,811,038
-----------	------------

-	7,613
-	112,889
-	120,502

(231,924)	-
(14,190)	-
(348,343)	-

(570,854)	-
(7,732,980)	-

(8,898,291)	-
-------------	---

(8,898,291)	120,502
-------------	---------

9,792,245	9,792,245
14,190	14,190
348,343	348,343
8,535,758	8,535,758

\$ 9,792,245	\$ 18,690,536
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**Genesee County 9-1-1 Consortium Commission
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended September 30, 2005**

	General	Capital Project	Total Governmental Funds
Expenditures/Expenses:			
Current:			
Non wireless:			
Salaries and wages	\$ 1,359,385	\$ -	\$ 1,359,385
Fringe benefits	546,885	-	546,885
Office supplies	10,811	-	10,811
Postage	2,186	-	2,186
Uniforms	1,810	-	1,810
Contract services	235,196	-	235,196
Accounting	18,665	-	18,665
Professional fees	13,787	-	13,787
Memberships	2,579	-	2,579
Insurance	39,200	-	39,200
Telephone	39,321	-	39,321
Utilities	31,665	-	31,665
Building maintenance	14,854	-	14,854
Equipment maintenance	21,961	-	21,961
Equipment service contracts	254,280	-	254,280
Equipment lease	5,909	-	5,909
Tower lease	14,004	-	14,004
Education and training	5,450	-	5,450
Depreciation	-	-	-
Capital outlay:			
Communications equipment	6,693,056	-	6,693,056
Wireless:			
Salaries and wages	331,835	-	331,835
Salaries - education and training	6,699	-	6,699
Education and training	8,083	-	8,083
Total expenditures/expenses	9,657,621	-	9,657,621
Charges for Services:			
Telephone service fees	4,231,241	-	4,231,241
Wireless service fees	331,835	-	331,835
Other revenues	1,708	-	1,708
Operating grant:			
Wireless education income	15,871	-	15,871
Total program revenues	4,580,655	-	4,580,655
Net program (costs) revenue	(5,076,966)	-	(5,076,966)
General Revenues:			
Interest	218,851	7,638	226,489
Excess of revenues over expenditures/expenses	(4,858,115)	7,638	(4,850,477)
Fund balance/net assets - beginning of period	13,408,063	340,705	13,748,768
Fund balance/net assets - end of period	\$ 8,549,948	\$ 348,343	\$ 8,898,291

See notes to financial statements.

Adjustments (Note II B)	Statement of Activities
\$ -	\$ 1,359,385
-	546,885
-	10,811
-	2,186
-	1,810
-	235,196
-	18,665
-	13,787
-	2,579
-	39,200
-	39,321
-	31,665
-	14,854
-	21,961
-	254,280
-	5,909
-	14,004
-	5,450
642,658	642,658
(6,666,213)	26,843
-	331,835
-	6,699
-	8,083
(6,023,555)	3,634,066
-	4,231,241
-	331,835
-	1,708
-	15,871
-	4,580,655
6,023,555	946,589
-	226,489
6,023,555	1,173,078
3,768,690	17,517,458
\$ 9,792,245	\$ 18,690,536

**Genesee County 9-1-1 Consortium Commission
Statement of Net Assets
Fiduciary Fund
September 30, 2005**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 351
Liabilities	
Accounts payable	<u>351</u>
Net assets	<u><u>\$ - 0 -</u></u>

See notes to financial statements.

Notes to Basic Financial Statements

Genesee County 9-1-1 Consortium Commission
Notes to Basic Financial Statements
September 30, 2005

I. Summary of significant accounting policies

A. Reporting entity

The Genesee County 9-1-1 Consortium Commission (Consortium) was jointly created by agreement between Genesee County and various public agencies (Charter Townships of Flint, Clayton, Montrose, Grand Blanc, Genesee, Fenton, Mundy, Mt. Morris and Vienna; Townships of Davison, Richfield, Argentine, Forest, Atlas, Gaines, Thetford, and Flushing; Cities of Mt. Morris, Clio, Linden, Grand Blanc, Swartz Creek, Burton, Davison, Flushing, and Montrose; villages of Gaines, Goodrich and Otisville) pursuant to the Urban Cooperation Act and the 9-1-1 Act to administer and execute the Genesee County 9-1-1 Consortium Agreement, and to operate the Central Dispatch Public Safety Answering Point pursuant to designation from the Board of Commissioners. The Consortium's effective date of creation was March 1, 1997. The agreement shall terminate on the effective date upon which there are no longer at least two parties to the agreement.

One member is appointed by the governing body of each of the participating members of the consortium. These members collectively constitute the membership board. The Membership Board is required to adopt an annual operating budget for the operation of Central Dispatch and shall elect the elected director members of the Executive Board. The Executive Board shall consist of 13 members (nine of these members will be members of and elected by the Membership Board, the four other members shall be two members of the Board of Commissioners selected by the Board of Commissioners, a representative of the State Police designated by the Director of the State Police and the Genesee County Sheriff or his or her designated representative). Of the Elected Directors, six shall represent general law and charter townships, two shall represent cities and one shall represent villages. Persons holding Elected Director positions are removable by the Membership for reasonable cause.

Any party may withdraw from the Consortium, and thereby prospectively rescind or terminate the Consortium Agreement as to that party, by a formal majority vote of the governing body of the party, which approved withdrawal must also specify an effective date. The withdrawal may not be made effective, however, prior to one hundred eighty (180) days after the party has notified the Consortium of the approval of the withdrawal, or at the end of the Consortium's fiscal year within which the vote is taken, whichever is later. The withdrawing party's future financial obligations, if any, as a party to this agreement shall cease as of the date withdrawal becomes effective, and all interest the member may have in funds and other property of the Consortium, including but not limited to the equipment used in operating Central Dispatch, shall be forfeited. Financial obligations which have accrued as of the withdrawal must be paid by the withdrawing party.

The parties to the Consortium shall be assessed by the Membership Board their respective shares of any Central Dispatch costs which are within the proper cost and charge components of the emergency telephone charge under Section 102 of the 9-1-1 Act, MCL 484.1102, and which are not funded by the two emergency telephone charges or by non-parties to this Agreement, in these shares:

Genesee County	22%
Other Parties	78%

Genesee County 9-1-1 Consortium Commission
Notes to Basic Financial Statements
September 30, 2005

I. Summary of significant accounting policies - (continued)

A. Reporting entity – (continued)

The "Other Parties" will share the 78% on the basis of an average percent using state equalized value (SEV) and population. The percentages applied will be the respective percentages, of each Other Party, of the total SEV and the total population of all the Other Parties. This average percentage may be changed from time to time by the Executive Board when changes in the SEV or population occur, and shall be changed to reflect any addition to or deletion from the roster of Other Parties.

As to any period of operation during which Central Dispatch is not being operated by the Consortium, no Central Dispatch costs shall be assessed to the Members of the Consortium, the first paragraph of this Section notwithstanding, in excess of the greater of: 1) the costs provided for in the annual budget for Central Dispatch as adopted by the Membership Board; 2) costs reasonably required to maintain the type and quality of 9-1-1 service that was being provided by Central Dispatch.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include charges to customers who purchase, use, or directly benefit from services provided.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Genesee County 9-1-1 Consortium Commission
Notes to Basic Financial Statements
September 30, 2005

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Charges for services associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as *program revenues* include charges to customers for services.

When both restricted and unrestricted resources are available for use, it is the Consortium's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The Consortium's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments:

Investments for the Consortium are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

3. Prepaid items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets

Capital assets, which include office equipment and communication equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Genesee County 9-1-1 Consortium Commission
Notes to Basic Financial Statements
September 30, 2005

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity – (continued)

4. Capital assets – (continued)

Office equipment and communication equipment of the Consortium are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office furniture	10
Computer equipment	5
Software	2-5
Communication equipment	10
Towers	20

5. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The details of this difference are as follows:

Capital assets	<u>\$9,792,245</u>
Net adjustment to increase <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u>\$9,792,245</u>

Genesee County 9-1-1 Consortium Commission
Notes to Basic Financial Statements
September 30, 2005

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$6,666,213
Depreciation expense	<u>(642,658)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$6,023,555</u></u>

III. Stewardship, compliance, and accountability

Budgetary information

The Consortium follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, a proposed operating budget is submitted to the membership board for the year commencing October 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund. (This fund is required to have a budget per Michigan law).
2. The budget is legally adopted on a line item basis.
3. Budget appropriations lapse at year end, except for certain projects which are appropriated on a project length basis.
4. The original budget was amended during the year.

A log of telephone calls is maintained by type of caller for use in allocating expenses between non-wireless and wireless. For fiscal 2005, the split was wireless – 41.6% and non-wireless – 58.4%.

Genesee County 9-1-1 Consortium Commission
Notes to Basic Financial Statements
September 30, 2005

IV. Detailed notes on all funds

A. Deposits and investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorized local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks, commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Consortium has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Consortium's deposits and investment policies are in accordance with statutory authority.

The Consortium's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Consortium had \$7,314,372 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Consortium believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Consortium evaluates the financial institution it deposits funds with and assesses their level of risk; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Consortium does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Consortium's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Repurchase agreements	\$769,282	Counterparty

Genesee County 9-1-1 Consortium Commission
Notes to Basic Financial Statements
September 30, 2005

IV. Detailed notes on all funds – (continued)

B. Receivables

Receivables as of year end for the Consortium's general fund, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities:

	<u>General</u>
Receivables:	
Interest and dividends	\$113,860
Intergovernmental	<u>608,223</u>
Gross receivables	722,083
Less: allowance for uncollectibles	<u>-</u>
Net total receivables	<u><u>\$722,083</u></u>

C. Capital assets

Capital asset activity for the year ended September 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not depreciated:				
Construction in progress	<u>\$ 1,567,696</u>	<u>\$6,666,213</u>	<u>\$ -</u>	<u>\$ 8,233,909</u>
Capital assets, being depreciated:				
Office and communication equipment	6,603,667	-	-	6,603,667
Less accumulated depreciation for:				
Office and communication equipment	<u>(4,402,673)</u>	<u>(642,658)</u>	<u>-</u>	<u>(5,045,331)</u>
Total capital assets, being depreciated, net	<u>2,200,994</u>	<u>(642,658)</u>	<u>-</u>	<u>1,558,336</u>
Governmental activities capital assets	<u><u>\$ 3,768,690</u></u>	<u><u>\$6,023,555</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$9,792,245</u></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 Current:

Non-wireless	\$642,658
Wireless	<u>-</u>

Total depreciation expense – governmental activities \$642,658

Genesee County 9-1-1 Consortium Commission
Notes to Basic Financial Statements
September 30, 2005

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Communication project commitments:

The Consortium has active communication project commitments as of September 30, 2005. The project includes the purchase and installation of an 800 MHZ trunked digital simulcast radio system. At year end the Consortium's commitments are as follows:

<u>Vendor</u>	<u>Original Contract Amount</u>	<u>Paid to Date</u>	<u>Remaining Commitment</u>
Omnicon/RCC Consulting	\$ 199,647	\$ 174,489	\$ 25,158
Motorola	9,872,849	8,391,922	1,480,927
RCC Consultants	174,080	44,375	129,705
Alcatel	1,023,889	1,023,889	-
Castle Brothers, Inc.	46,037	-	46,037

Preventive maintenance plan:

The Consortium also contracted with a company to provide an aggressive 3 year preventive maintenance plan for communication equipment at an annual rate of \$94,800. This contract is for labor only. Any service parts will be billed over and above the contract. The contract is for the period February 2004 through February 2007.

The Consortium also contracted with two companies to provide an aggressive preventive maintenance plan for communication software. The first agreement is a five-year term and has an annual rate starting at \$80,916 in year one (February 2004) and ending at \$96,489 in year five (February 2009). The first agreement can be cancelled at any time by the Consortium. The second agreement is a one-year term and has an annual rate of \$33,613 and is for the period January 2005 through December 2005.

D. Operating leases

The Consortium has agreements for the lease of land sites and the use of a tower under non-cancelable operating leases.

The following is a schedule, by year, of the future minimum rental payments required under the non-cancelable operating leases as of September 30, 2005.

2006	\$ 32,001
2007	28,001
2008	28,001
2009	28,001
2010	28,001
2011 and after	<u>380,014</u>
Total minimum payments required	<u>\$524,019</u>

Genesee County 9-1-1 Consortium Commission
Notes to Basic Financial Statements
September 30, 2005

IV. Detailed notes on all funds – (continued)

D. Operating leases – (continued)

The Consortium also entered into a sublease agreement in July 2004 with a third party for the use of the land sites noted above. The third party has constructed communication towers on the land sites. This lease also gives the Consortium the use of the towers that will be constructed on these sites by the third party. The maintenance and insurance of the towers will be maintained by the third party.

Rental expense for all operating leases for the year ended June 30, 2005, was \$14,004.

V. Other information

A. Retirement plan

Full-time dispatchers and supervisors:

The Consortium has established the Genesee County 9-1-1 Consortium defined contribution pension plan administered by Manulife Financial. The plan covers all full-time employees, with the exception of the director and deputy director, of the Consortium with at least three months of service and who are at least eighteen years of age.

The employer contributes 10% of (total gross pay) employee compensation earned during the plan year for full-time dispatchers, the administrative clerk, and the computer technician. The employer contributes 15% of (total gross pay) employee compensation earned during the plan year for full-time supervisors, the computer administrator, and the administrative assistant. Each participant is 20% vested for each completed year of service to 100% for contributions made by the employer on their behalf. The plan does provide for employee contributions up to 10% for any employee who receives a 10% employer contribution. The plan also calls for a mandatory 5% employee contribution from all employees who receive a 15% employer contribution. During the year ended September 30, 2005, the Consortium contributed \$165,239 into the plan and employees contributed \$23,855 into the plan.

Director and Deputy Director:

The Consortium has also established the Genesee County 9-1-1 Consortium money purchase plan (Executive 401) administered by ICMA. The plan covers the director and deputy director of the Consortium with no service or age requirements.

The employer contributes 15% of (base pay) employee compensation earned during the plan year and the employee contributes 5%. There is no vesting period included in this plan. During the year ended September 30, 2005, the Consortium contributed \$23,855 into the plan and the director and deputy director contributed \$7,401.

457 plan:

The Consortium offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457. The plan, available to substantially all Consortium employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency.

Genesee County 9-1-1 Consortium Commission
Notes to Basic Financial Statements
September 30, 2005

V. Other information – (continued)

A. Retirement plan – (continued)

457 plan: – (continued)

The Consortium's plan administrator, ICMA, hold the assets of the plan within trusts. As a result, the plan's assets are not reflected on the financial statements since the Consortium has no fiduciary or administrative responsibility for these plans.

B. Risk management

The Consortium is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Consortium has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Consortium pays unemployment claims on a reimbursement basis.

Required Supplementary Information

Genesee County 9-1-1 Consortium Commission
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2005

	Budgeted		Actual
	Original	Final	
Revenues:			
Telephone service fees	\$ 4,336,000	4,336,000	\$ 4,231,241
Wireless service fees	306,000	306,000	331,835
Wireless education income	23,500	19,000	15,871
Earnings on investments and deposits	150,000	150,000	218,851
Other revenues	2,000	2,000	1,708
Total revenues	4,817,500	4,813,000	4,799,506
Expenditures:			
Current:			
Non wireless:			
Salaries and wages	1,535,000	1,367,000	1,359,385
Fringe benefits	608,158	638,158	546,885
Office supplies	15,000	15,000	10,811
Postage	2,000	2,000	2,186
Uniforms	6,000	6,000	1,810
Contract services	250,000	240,000	235,196
Accounting	10,500	22,500	18,665
Professional fees	35,133	22,133	13,787
Memberships	2,920	3,120	2,579
Insurance	50,000	83,000	39,200
Telephone	70,000	70,000	39,321
Utilities	23,950	33,450	31,665
Building maintenance	18,360	18,360	14,854
Equipment maintenance	26,000	26,000	21,961
Equipment service contracts	245,000	265,000	254,280
Equipment lease	6,500	6,500	5,909
Tower lease	6,000	20,000	14,004
Education and training	20,000	20,000	5,450
Contingency	25,000	25,000	-
Capital outlay:			
Communications equipment	6,080,000	6,184,000	6,693,056
Wireless:			
Salaries and wages	300,000	332,000	331,835
Salaries - education and training	-	6,700	6,699
Education and training	21,000	21,000	8,083
Total expenditures	9,356,521	9,426,921	9,657,621
Excess (expenditures)			
revenues	(4,539,021)	(4,613,921)	(4,858,115)
Fund balance - beginning of period	13,408,063	13,408,063	13,408,063
Fund balance - end of period	\$ 8,869,042	\$ 8,794,142	\$ 8,549,948

See notes to financial statements.

**Variance
With Final
Budget**

\$	(104,759)
	25,835
	(3,129)
	68,851
	(292)
	<hr/>
	(13,494)
	<hr/>

7,615
91,273
4,189
(186)
4,190
4,804
3,835
8,346
541
43,800
30,679
1,785
3,506
4,039
10,720
591
5,996
14,550
25,000

(509,056)

165
1
12,917

(230,700)

244,194

\$	244,194
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Fund Information

Genesee County 9-1-1 Consortium Commission
Agency Fund
Statement of Changes in Assets and Liabilities
Year Ended September 30, 2005

	Balance October 1, 2004	Additions	Deductions	Balance September 30, 2005
Assets				
Cash and cash equivalents	\$ 351	\$ - 0 -	\$ - 0 -	\$ 351
Liabilities				
Accounts payable	\$ 351	\$ - 0 -	\$ - 0 -	\$ 351

October 28, 2005

To the Genesee County 9-1-1 Consortium Commission Board
Genesee County 9-1-1 Consortium Commission
Genesee County, Michigan

We have performed the audit of the general purpose financial statements of Genesee County 9-1-1 Consortium Commission (Consortium) for the year ended September 30, 2005, and have issued our report thereon dated October 28, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Consortium. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies used by the Consortium and described in Note 1 to the general purpose financial statements. We noted no transactions entered into by the Consortium during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed adjustments related to prepaid expenses, accounts receivable and accrued expenses that, in our judgment, either individually or in the aggregate, do not have a significant effect on the Consortium's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situation. If a consultation involves application of an accounting principal to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Consortium's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

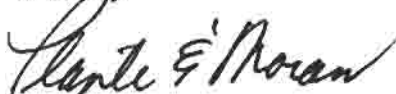
Difficulties Encountered in Performing the Audit and Board Considerations

We encountered no significant difficulties in dealing with management in performing our audit. We find two areas needing Board consideration which is outlined below:

- Under GASB 34, general fixed assets must be depreciated. The Board must adopt a capitalization policy as well as adopt lives over which the Consortium's fixed assets will be depreciated. For the fiscal year ended September 30, 2005, all assets over a cost of \$5,000 were capitalized and assets were depreciated over the following lives: towers – 20 years; computer equipment – 5 years; office and communication equipment – 10 years.
- The Consortium should record and document all policies and procedures of internal control in an operations' manual for ease of reference and to insure consistency in those policies and procedures.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and should not be used for any other purpose. We would also like to express our appreciation for the cooperation extended to our staff by the Consortium's personnel during the course of the audit. If you have any question regarding the contents of this letter, please contact us.

Sincerely,



Plante & Moran, PLLC